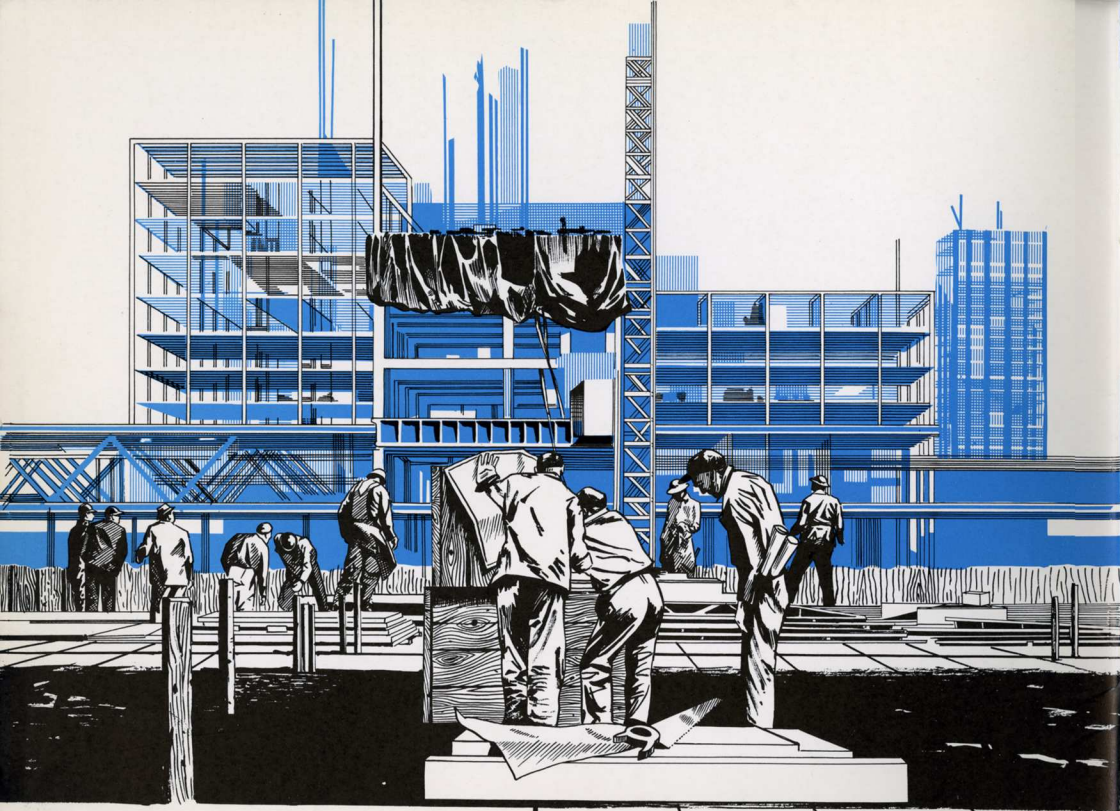




ANNUAL REPORT 1957

UTAH CONSTRUCTION COMPANY



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BOARD OF DIRECTORS

MARRINER S. ECCLES, Chairman
MARRINER A. BROWNING
ALLEN D. CHRISTENSEN
L. S. COREY
L. T. DEE
GEORGE S. ECCLES
W. H. HARRIS
E. W. LITTLEFIELD
SHEPARD MITCHELL
P. L. WATTIS

OFFICERS

MARRINER S. ECCLES, Chairman of the Board
ALLEN D. CHRISTENSEN, President and General Manager
E. W. LITTLEFIELD, Executive Vice President
C. S. DAVIS, General Vice President
FRANK M. KELLER, General Vice President
GUY V. SPERRY, Vice President and Chief Engineer
J. M. HERRIGAN, Secretary and Controller
O. L. DYKSTRA, Treasurer
CHARLES W. ROBINSON, Assistant Treasurer

EXECUTIVE COMMITTEE

MARRINER S. ECCLES
ALLEN D. CHRISTENSEN
E. W. LITTLEFIELD

UTAH CONSTRUCTION COMPANY



ENGINEERS • CONTRACTORS

TO OUR STOCKHOLDERS:

Utah Construction Company is both an operating company and a holding company. As an operating company it engages in general construction and mining principally in the United States. The subsidiary and affiliated companies in which Utah Construction has invested are engaged principally in construction, mining, shipping, and land development. These companies extend the company's interests virtually around the world.

PARENT COMPANY EARNINGS

Earnings of the parent company for the fiscal year 1957 were \$2,732,484 or \$1.53 a share outstanding. This compares to \$2,422,472 for the preceding year or \$1.36 a share adjusted for the increase in the number of shares outstanding during 1957 resulting from the 100% stock dividend paid on May 15, 1957 and the establishment of the Employees Stock Purchase Plan. The improvement in earnings resulted from higher gross income from heavy construction and mining and larger dividend distributions from subsidiary and affiliated companies. Construction earnings continued to be depressed by large losses on certain joint ventures in which your company is a participant, particularly those engaged in construction projects on the St. Lawrence Seaway.

Charged against current earnings in 1957 was depreciation amounting to \$2,161,743 which was mainly computed on the declining balance method and included \$566,362 more than would have been charged under the straight line method. The increase in this charge due to use of accelerated depreciation methods in 1956 amounted to \$786,029. Also deducted from 1957 earnings was \$643,587 which was credited to the Reserve for Future Payments to the Retirement Plan Based on Profit Sharing. If company net profits continue to exceed the amount required to pay the maximum current contributions, under the terms of the Trust Agreement a portion of the amounts credited to this Reserve will be restored to earnings in future years.

SUBSIDIARY AND AFFILIATED COMPANIES

For the fiscal year 1957 Utah Construction Company's share of the current earnings of subsidiary and affiliated companies in which it has investments amounted to \$2,689,471 after an allowance for dividends paid and for taxes that would be payable upon distribution of the balance. This is equivalent to \$1.51 a share of Utah Construction Company stock and compares with \$1,755,711 or 99¢ a share for the preceding year, adjusted for the increase in shares outstanding during the year.

The improvement in earnings was primarily attributable to better profits from shipping and mining. Foreign construction subsidiaries generally reported slightly lower earnings while domestic construction subsidiaries enjoyed a modest improvement over last year.

OVERALL RESULTS

Combining the parent company earnings and the company's share of the undistributed 1957 earnings of subsidiary and affiliated companies as reported above gives an overall profit for the year of \$5,421,955, equivalent to \$3.05 a share of Utah Construction Company stock outstanding. This compares to \$4,178,183 or an adjusted amount of \$2.35 a share for the preceding year which had heretofore been the highest year in the history of the company.

In 1955 the overall gain reported by the company amounted to \$3,404,424, and the successive new highs set in 1956 and again in 1957 must be attributed in part to the unusually large volume of work performed and the level of general business activity which favored both our construction and mining activities.

FINANCIAL CONDITION

To sustain the large volume of company activities has necessitated the borrowing of \$9,675,000 by the parent company and the conservation of its working capital by the payment of dividends in the form of common stock of Permanente Cement Company. Working capital amounted to \$6,048,563 on October 31, 1957 compared to \$2,293,027 a year earlier.

On May 15, 1957 a 100 per cent stock dividend was paid to shareholders of record at May 1, 1957, which resulted in doubling the number of shares outstanding at the end of the previous fiscal year. For each share so issued \$2 was transferred from the Earned Surplus Account to the Capital Stock Account of the company.

Additionally, adjusting for the stock dividend, the company distributed four quarterly dividends amounting to a total of 1/20 of a share of Permanente Cement Company for each share held in Utah Construction Company. At the time of distribution these dividends, paid in stock of Permanente Cement Company, had a total market value per share of Utah stock held of 90¢ as compared with an adjusted amount of 72¢ per share paid during the previous year.

In the opinion of the management the company's assets are conservatively valued. The stocks held in other companies are carried on the company's books at cost which is substantially below their real value.

Net Worth on October 31, 1957 amounted to \$24,380,723 or \$13.69 a share, compared to \$21,108,555 or an adjusted amount of \$11.86 a share at the close of the preceding year. These figures are based on valuing our investments at cost rather than their indicated values which would have been \$23,500,000 higher in 1957 as against \$11,500,000 higher in 1956.

THE YEAR AHEAD

As this report is written, there are indications of a possible decline in the volume of new heavy construction and perhaps general business as well. Residential construction has been declining since 1955 and capital expenditures anticipated for 1958 are well below levels of the preceding year. Tight money also appears to be affecting construction activity adversely. Naturally any change in general construction or business activity will ultimately affect your company.

The backlog of uncompleted work on hand declined during the year but is still substantial and sufficient to sustain a high degree of activity during the better part of 1958. Our overall earnings will also be augmented by our interest in Lucky Mc Uranium Corporation whose mill is scheduled to commence operations in the spring of 1958. All in all, unless there is a sharp recession, we anticipate that your company will continue to enjoy good earnings in the coming year.

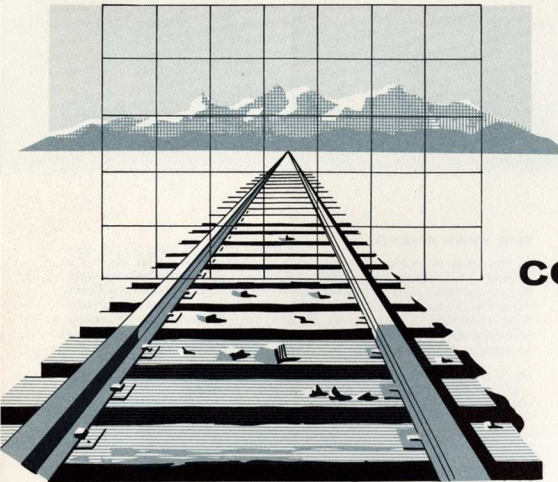
The management tenders its sincere expression of appreciation to our clients for their confidence and to our many employees whose loyal and efficient services have contributed to another year of sound progress.

Respectfully submitted,

Marriner S. Eccles *Allen D. Christensen*

MARRINER S. ECCLES
Chairman of the Board

ALLEN D. CHRISTENSEN
President and General Manager



CONSTRUCTION

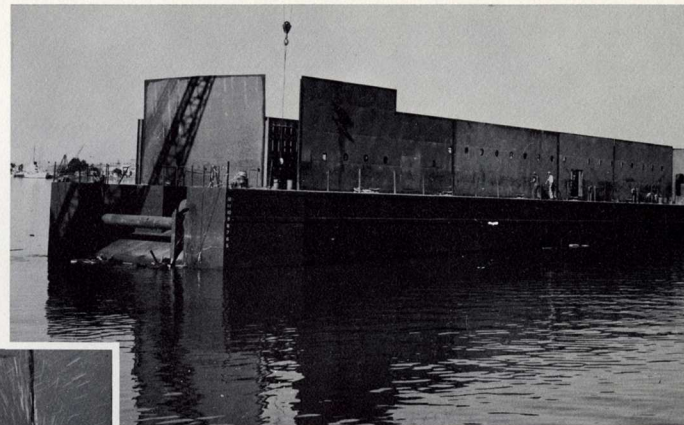
ACTIVITIES

Utah Construction Company and its subsidiary and affiliated companies are engaged in general construction activities throughout the world. Operations are spread over five continents and eleven countries. The type of work currently being performed includes commercial and governmental building, industrial construction, tunnels, contract stripping, mining, mill construction, earth moving, dredging, airport construction, highways and bridges, harbor installations, military and naval installations, dams and powerhouses, and nuclear facilities.

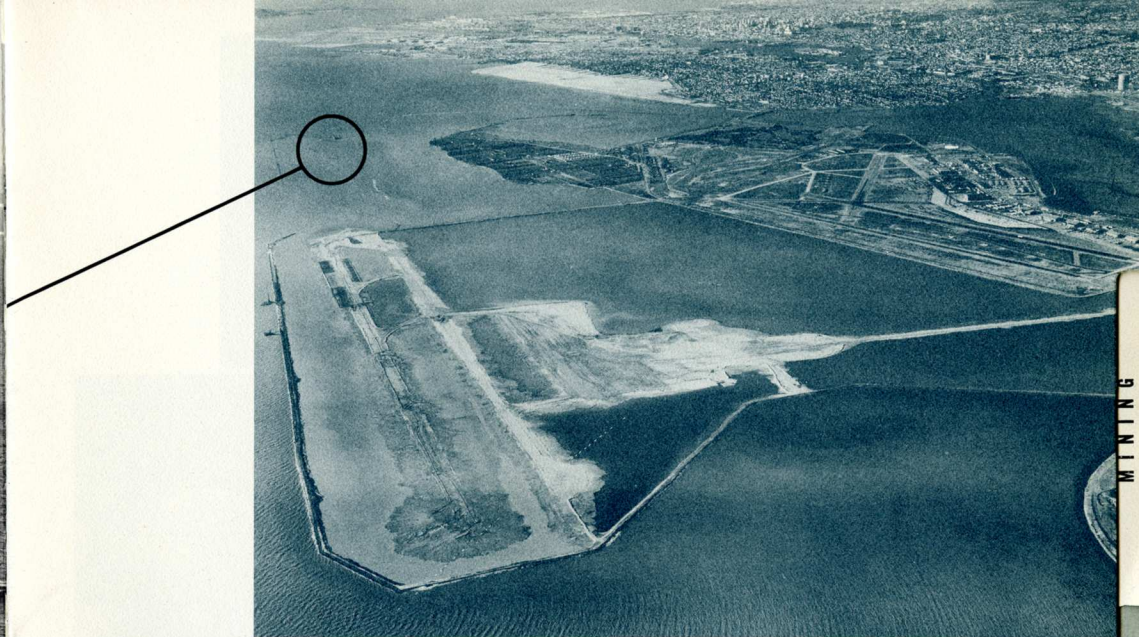
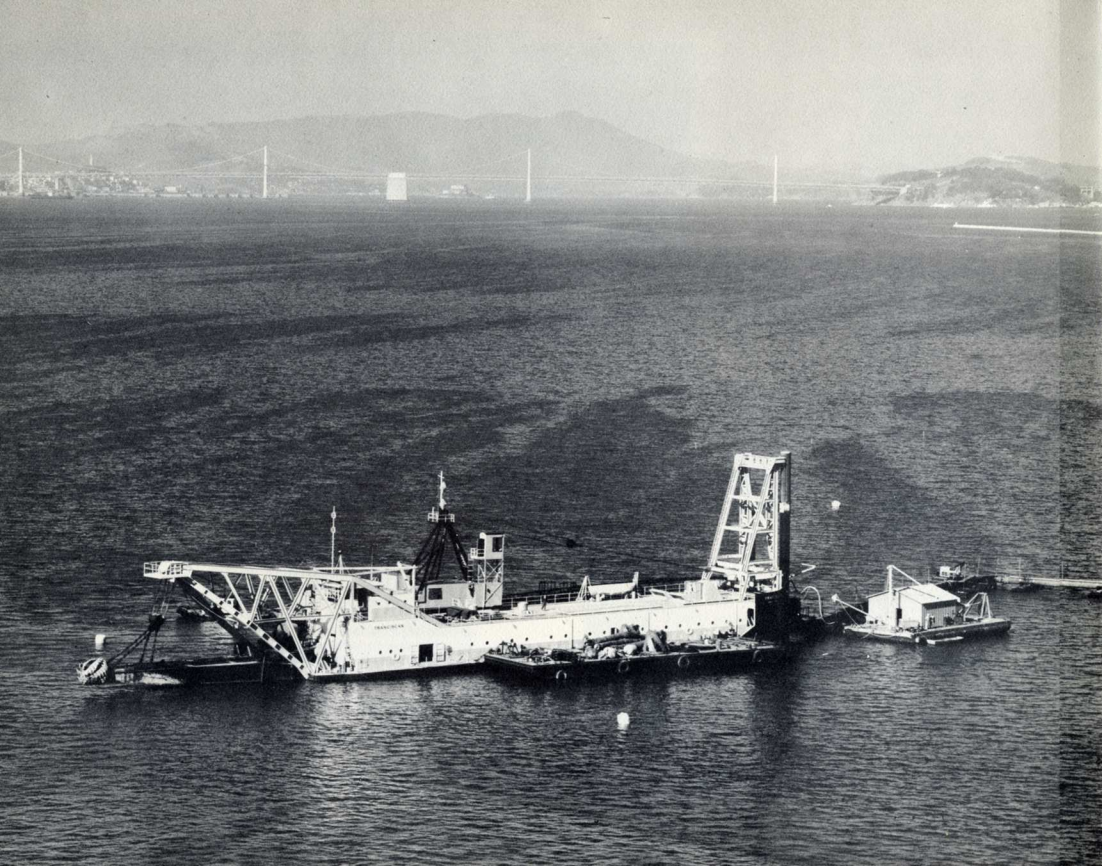
Both domestic and foreign construction volume was well sustained. Gross income improved substantially from the preceding year because of better results achieved on company projects and some success in containing previously established loss trends reported

by several long term joint ventures in which your company is a participant. In three of the four joint ventures on the St. Lawrence Seaway in which your company has an interest additional losses are anticipated before final completion. In all these cases claims against the owners appear justified and are being prepared for presentation but the ultimate outcome cannot be anticipated at this time.

Our policy of diversification by types of work and geographical areas continues to prove its soundness. Improved results from domestic construction more than offset declines in the earnings of foreign construction subsidiaries, while in 1956 the converse was the situation.



On November 21, 1957 the bare hull of the ALAMEDA, a second 30 inch hydraulic dredge for our operations, was launched in the estuary adjacent to the builder's yard at Alameda, California. Fitting out, including installation of a self-contained power plant, will be completed early in 1958 at which time it will join its sister dredge, FRANCISCAN, in commercial dredging operations.



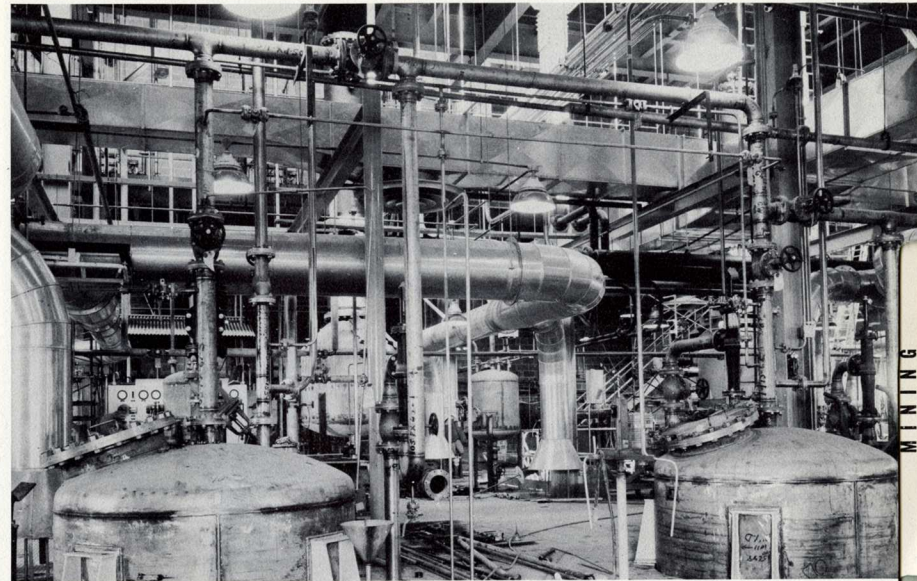
The 30 inch hydraulic dredge FRANCISCAN has been employed continuously on a 24 hour a day basis in San Francisco Bay since delivery in November 1955. During this period fill material has been dredged from the floor of the bay and pumped into place, creating new land, at the rate of one million cubic yards a month.

The present location of the FRANCISCAN is keyed into the accompanying aerial view of the construction-in-progress on runway extensions for the Oakland International Airport, Oakland, California, where the FRANCISCAN is now completing dredging and placement of 14 million cubic yards of fill material under contract with the Port of Oakland.

The lighter area in the upper background shows 400 acres of new land, owned by our company, and created by dredging operations of the FRANCISCAN during 1956 for residential and commercial use on the south shore of Alameda, California.



For nearly 60 years Utah Construction Company has served the great railroads of the West such as Western Pacific, Southern Pacific and Union Pacific. Shown here is a typical scene in connection with 8 tunnel rehabilitation projects performed during the year in northern California and Nevada for Western Pacific Railroad on its 700 mile Feather River Route to Salt Lake City which was originally laid down by our company in the early 1900's and involved driving 40 tunnels.

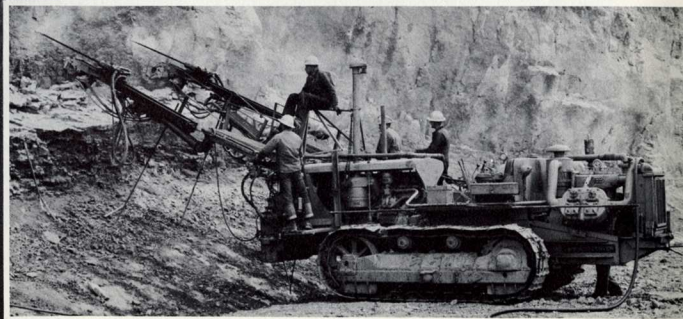


Above is an impressive view of the complicated TBP extraction area of a nuclear construction project being performed near St. Louis, Missouri, under a \$38,000,000 contract for the Atomic Energy Commission by a joint venture composed of Utah Construction Company and Fruin-Colnon Construction Corporation. Our company has a long record of accomplishment in engineering, design and construction of intricate processing and manufacturing plants for government and industry.



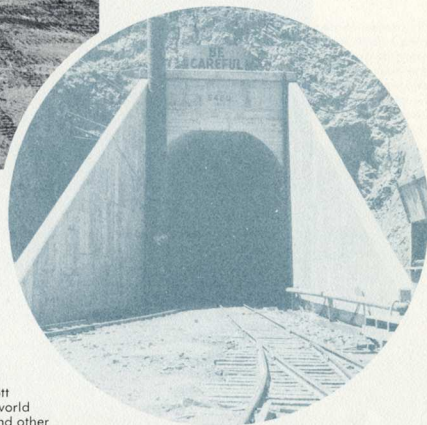
Twenty-six miles up the Feather River Canyon north of Oroville, California, Utah Construction Company is 60 percent sponsor of a joint venture driving a seven mile river diversion tunnel through the mountains to a new powerhouse under contract with Pacific Gas & Electric Company in connection with its \$35 million Poe Power Hydroelectric Project.

For many years industrial owners of large mine properties have engaged Utah Construction Company to perform their contract strip mining of coal, iron ore and a variety of non-ferrous metals. Here a Utah drilling rig is shown operating near Garrison, Montana under a contract with Montana Phosphate Products Company involving stripping, mining, and hauling of phosphate rock.

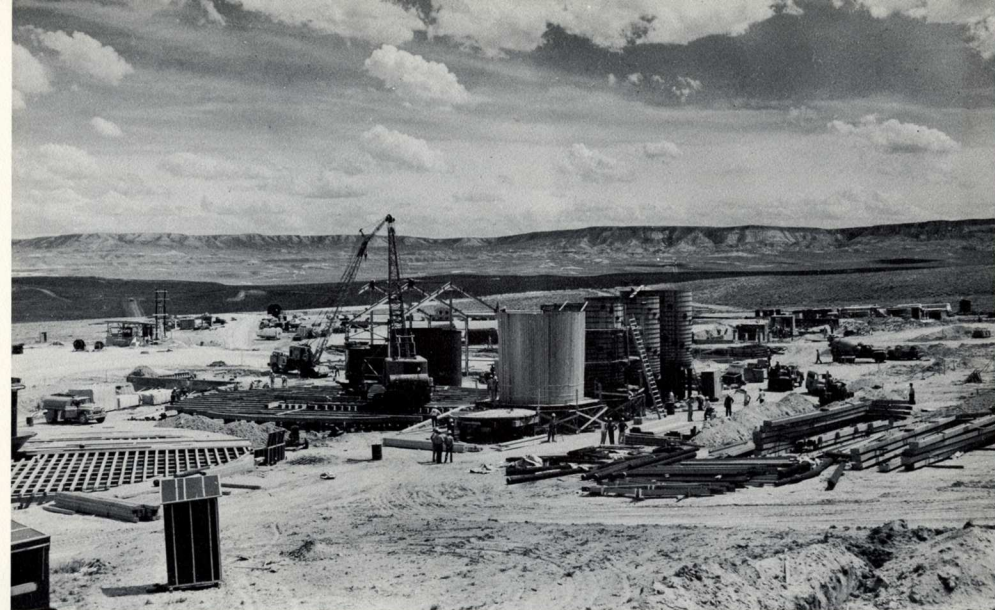


For the past three years Utah Construction Company has been participating in joint venture with other major U. S. contractors on four St. Lawrence Seaway contracts for the N. Y. Power Authority and Corps of Engineers totaling over \$100 million — Grass River Lock, Massena Intake Structure, Long Sault Dam, and Barnhart Island Powerhouse.

Pictured here is a view of the \$25 million Grass River Lock Project looking downstream across the upper sill. Completion, scheduled within several months, will be nearly two years ahead of original contract scheduling.



During the year Utah Construction Company performed operations under two contracts for Kennecott Copper Corporation at its world-famed open pit copper mine at Bingham, Utah. Pictured above is one of four of our huge electric shovels assigned to this project to strip overburden which was transported away by a continuous fleet of 40 of our 22 cubic yard heavy-duty dump trucks. Nine million cubic yards of overburden were excavated and moved under this contract. At the right is the entrance of railroad tunnel 5490 being driven by our company 17,000 feet through the wall of the Bingham Pit in order to permit rail shipment by the owner of mined ore from the mine site. This project is scheduled for completion in early 1959. Utah has a long and excellent record of performing similar operations for not only Kennecott Copper Corporation but other major iron and non-ferrous metal processors throughout the world including the design, engineering and construction of attendant refineries, mine plant and other surface facilities.



Fifty miles outside Riverton, Wyoming and adjacent to one of the major U. S. uranium discoveries, construction by our company of a \$7,500,000 uranium oxide processing mill, plant and personnel housing facilities for Lucky Mc Uranium Corporation is nearing 61 percent completion stage. In this instance we furnished the owner a complete package in that Utah performed the exploration, developed the metallurgical process, designed, engineered and is constructing the facilities. Utah is also performing the strip mining under long term contract.

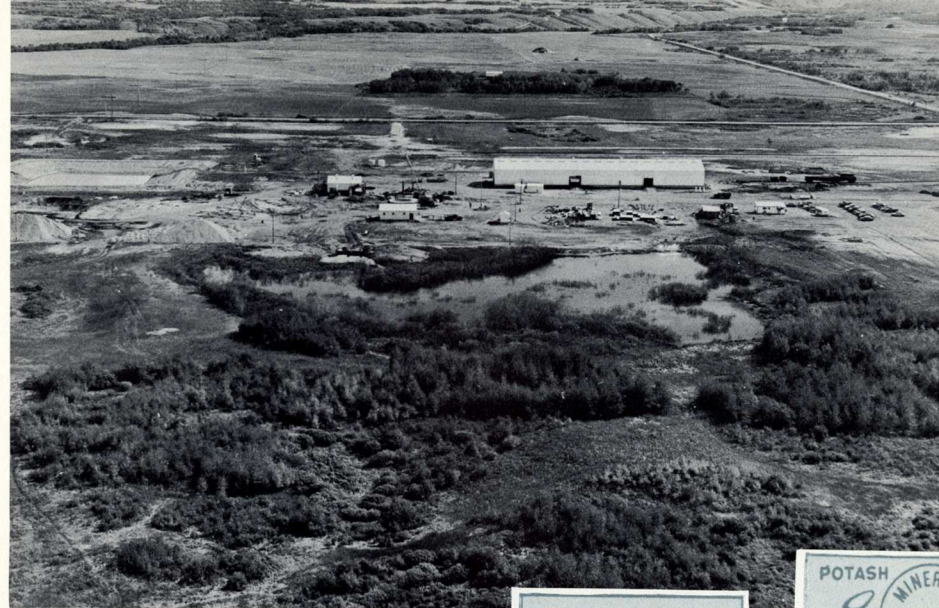
FOREIGN CONSTRUCTION ACTIVITIES

Utah Construction Company's stake in the field of foreign construction continued to expand in 1957. Our interests now range over five continents and eleven countries, and the area we serve is bounded by Alaska on the north, Peru on the south, France on the east, and Pakistan on the west. Literally the sun never sets on our operations.

The types of operations performed in foreign countries vary widely and include design, engineering, heavy construction, and specialized projects engaging our technical operating supervision. Our foreign clients include federal governments, states and municipalities as well as foreign industrial organizations and U. S. corporations domiciled in foreign lands.

Our foreign operations are performed directly by the parent company, through joint ventures, or by such subsidiary companies as Compania Utah, S. A., Utah International, Inc., Utah Co. of the Americas, and Utah Australia, Ltd. In France, Mexico, Brazil, and Pakistan we are engaged in the building of dams and hydroelectric projects. In Canada, Peru, and Korea we are building extensive mining and milling installations for our clients. In Colombia and Mexico our work includes streets and highways. Among our other projects are waterfront development in Mexico, an office building in Canada, a munitions plant, a bridge, and an earthmoving project in Australia.

While our earnings from foreign construction were below those of last year, profits in 1957 were satisfactory and our operations abroad will continue as an important segment of our business in the years ahead.

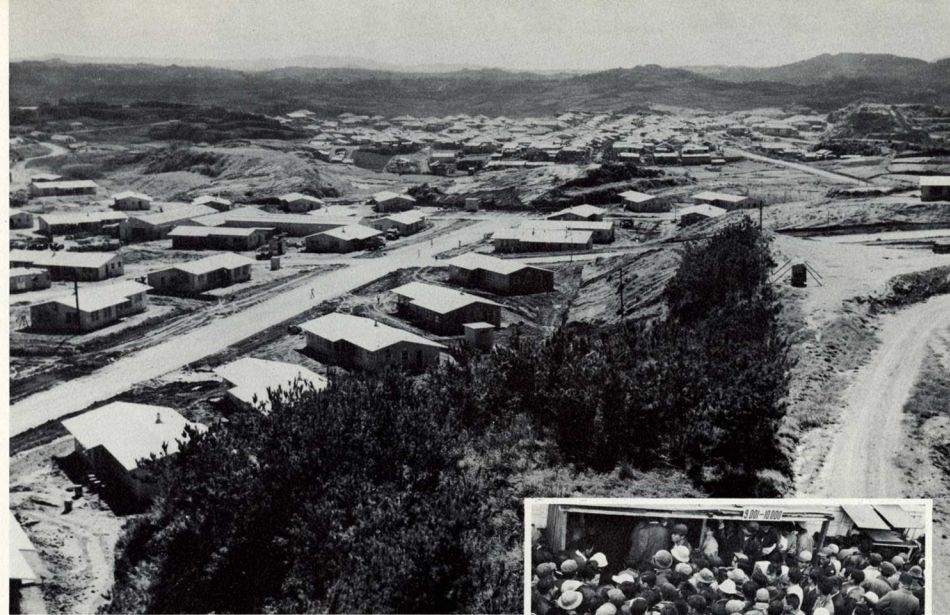


In the summer of this year our wholly-owned subsidiary, Utah Co. of the Americas, contracted with International Minerals & Chemical Corporation for the design, engineering and construction of a multi-million dollar potash mine and refinery located 12 miles east of Esterhazy, Saskatchewan, Canada. Pictured above is plant and mine area showing commencement of erection of surface facilities and sinking of 3,000 foot mine shaft. The project is tentatively scheduled for completion in late 1959.



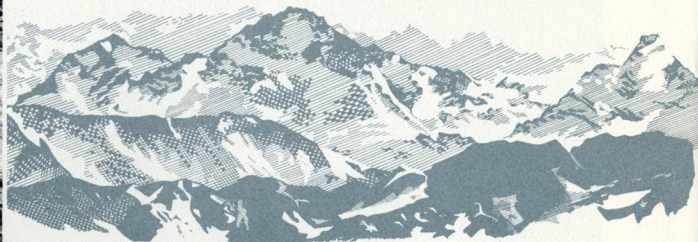
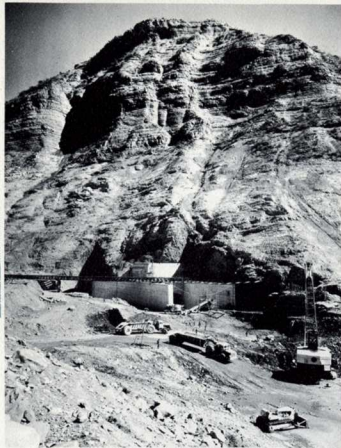


In downtown Vancouver, British Columbia, Utah Co. of the Americas, a wholly-owned subsidiary, has recently completed construction of this modern \$7½ million, 20-story office building for an investor group, of which Utah Construction Company is a 25% participant. Available rental space was over 75% leased at the year end.



Shown above is a portion of a \$9½ million U.S. Air Force personnel housing project recently completed at Okinawa for the Corps of Engineers by a joint venture, of which our company was a participant. A majority of the labor force was recruited locally, and the insert shows typical scene on pay day incident to cash payment.

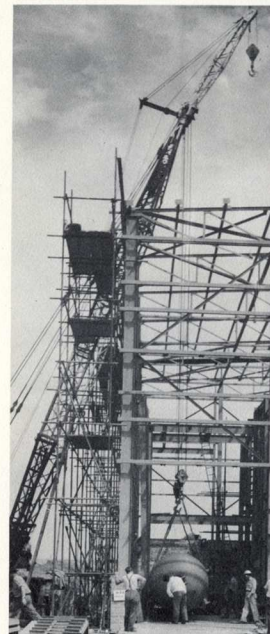




On the Durance River in the French Alps our company, in association with prominent French contractors, is building the \$27 million Serre-Poncon hydroelectric project for Electricité de France. Shown here are cleanup operations at the outlet of a diversion tunnel.



For a number of years our company has been engaged in Korea by private industry and the Government of Korea for supervisory and consulting services in connection with railroad rehabilitation, industrial plant construction, mining and drilling operations. Korean laborers are shown here pouring concrete in connection with a chemical plant expansion of Korea Tungsten Mining Co., Korea, being designed, constructed, and to be operated under our supervision.



During 1957 Utah Australia Limited completed, under contract with the Government of South Australia, and five months ahead of schedule, enlargement of the Frenchmans Creek inlet to Lake Victoria. This excavation project involved removal of 2½ million cubic yards of mud and debris.



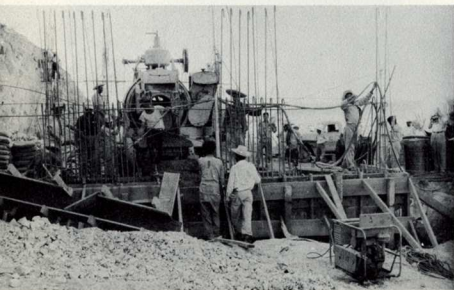
Our completely integrated subsidiary, Utah Australia Limited, in past years has performed a wide range of heavy construction in Australia, such as dams, powerhouses, tunnels, bridges and industrial plants. Here, near Sydney, Australia, operations are nearing completion on a \$45 million defense plant for Australian Commonwealth Department of Defense constructed by a joint venture in which our subsidiary is a 60% sponsor.



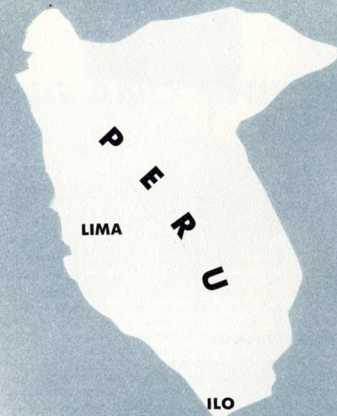


For the past six years our subsidiary, Compania Utah S. A., has performed extensive port development work for the Government of Mexico at Mazatlan and Guaymas. Pictured at the left is a view of the beautiful port of Guaymas showing the expanse of the continuing construction program, a major portion of which has been and continues to be performed by our subsidiary.

At Mytorena, near Guaymas, Compania Utah S. A. is working under contract with the Ministry of Agriculture of Mexico on an irrigation project involving construction of Ortiz Dam and attendant canal facilities.

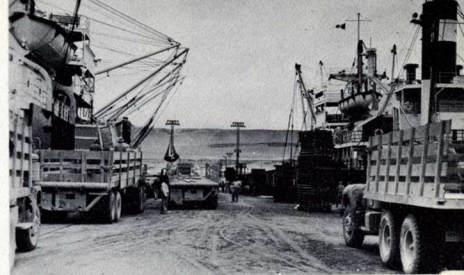


The State of Chihuahua in northern Mexico recently awarded Compania Utah S. A. a 35 million peso contract for construction of an earth filled dam and other river control facilities on the Chuvicar River. Construction operations were just getting under way as the year closed.



One hundred miles inland from the coastal port of Ilo in southern Peru, Utah Construction Company is 60% sponsor of a joint venture engaged in constructing for Southern Peru Copper Corporation an \$80 million concentrating mill and copper smelter. Additionally, we are erecting employee townsite and housing facilities at the port and the necessary railroad, highways and bridges to the millsite which is at the 10,000 foot elevation in the Andes mountains.

Reading down from above, the accompanying views of the project show unloading of equipment and supplies at the port of Ilo; construction in progress on townsite and housing facilities; excavation for location of thickeners and concentrator mill area.



MINING

FINANCIAL

MARTINEZ

MORAGA



LAND HELD FOR DEVELOPMENT AND RESALE

No additional lands were acquired for development and resale during 1957. However, the company took over the 50% interest of our partner in the original 340 acre industrial development in South San Francisco and is now the sole owner and developer.

Considerable progress was made in the planning and physical development of our major active projects.

SOUTH SHORE OF ALAMEDA

During the year the filling of 374 acres by hydraulic dredging was completed by our subsidiary, Utah Dredging Company, under contract with a California Reclamation District within whose boundaries our property is situated. The project was financed by a public bond issue which was purchased by the parent company.

Two subsidiary companies were formed. Sixty-six acres of commercial land were transferred to South Shore Center, Inc., and 308 acres of residential land to the South Shore Land Co. Construction of site improvements is underway. The first phase of the proposed shopping center is approximately 76% leased, and construction of the necessary commercial buildings will be accomplished in 1958. Sales agreements for certain residential acreages were being consummated at the year-end.

MORAGA VALLEY

During the year, 123 acres were sold at prices yielding an attractive profit to the company, leaving approximately 4,730 acres available for future sale. Agreement on a realistic master plan for the area was not reached during the year because of the uncertainty surrounding the location of the proposed freeway to serve this area. This acreage is best adapted to higher priced homes, and sales must be paced to the market's ability to absorb relatively expensive housing.

SOUTH SAN FRANCISCO INDUSTRIAL PROPERTY

During 1956 and 1957 approximately 1,100,000 yards of fill were placed by shovel and truck, making 150 acres of formerly sub-marginal land available for sale and use. To date 45 acres have been sold and six buildings are completed or under construction. Sales are being actively pursued and additional acreage will be reclaimed as market demand warrants.

In addition to the active projects discussed above, the company holds for future development tideland acreage at Bay Farm Island in Alameda, California, marshland property near the western shores of the Carquinez Straits in the vicinity of Martinez, California, and other minor holdings in Salt Lake City, Vancouver, B. C., and Stockton, California.

MINING AND SHIPPING

Utah Construction Company engaged directly in the mining of iron ore and metallurgical coal in the United States and has also conducted an intensive exploration program for other minerals. Through subsidiary and affiliated companies it has interests in companies concerned with the mining and processing of copper and uranium ores in the United States and in mining and shipping of iron ore in Canada and in Peru. Profit trends on the minerals with which we are concerned varied widely but our earnings in this phase of our company activities were sharply above those of the preceding year. For the parent company the higher gross income from sales of iron ore more than offset the lower income received from metallurgical coal operations. The Iron Hill iron ore deposit in British Columbia, operated by a wholly owned subsidiary, was exhausted during the year and shipments were therefore terminated. Other subsidiaries carried on exploration activities in the United States, Alaska, Canada, the Philippine Islands and Mexico.





**LUCKY Mc
URANIUM CORPORATION**

Your company holds a 60% interest in the Lucky Mc Uranium Corporation which holds substantial uranium reserves in the Gas Hills District in Wyoming. Lucky Mc has a contract to sell 5,600,000 pounds of uranium oxide to the Atomic Energy Commission and an ore processing mill having a capacity of 750 tons daily is scheduled for completion by the spring of 1958. Preliminary stripping has been completed. Utah Construction Company has a contractual responsibility to perform the mining, stripping, and milling for Lucky Mc and to construct the mill at guaranteed maximum prices with a sharing of the savings with the owner if costs are below the maximum figures. On October 31, 1957 the stock of Lucky Mc Uranium was \$3½ bid, in the over-the-counter market, indicating a value for Utah's holdings of \$11,371,087. The company's operations are expected to be profitable and should permit the retirement of bank debt prior to maturity.



PIMA MINING COMPANY

Utah Construction Company owns a 25% interest in the Pima Mining Company which operates a copper mine and mill near Tucson, Arizona. Full-scale operations were begun in early 1957 and the company reported net profits of \$682,300 for the first 10 months of the year. Since our share of the Net Worth of this company does not yet equal our cost on the stock, we have not included our share of Pima's earnings in the figures reported for the year 1957 and will not do so until earnings equal the premium paid for the stock. While copper prices declined from 46¢ to 25¢ a pound during 1957, Pima continued to operate profitably at the year-end and should prove a good investment for our company unless copper prices deteriorate still further.



Near Riverton, Wyoming, Utah Construction Company has recently completed stripping vast quantities of overburden preparatory to its commencement of mining operations and delivery of uranium ore to the new ore processing mill of Lucky Mc Uranium Corporation which will go on stream early in 1958. Utah has a 60 percent ownership interest in Lucky Mc.



Shown at left is an aerial view of Pima Mining Company located near Tucson, Arizona. In association with Union Oil of California and Cypress Mines Corporation, Utah owns a 25% interest in this copper mining and milling installation. During 1956 our company completed the mill construction and preliminary stripping of overburden incident to commencement of mining operations.

PERUVIAN IRON ORE

Utah Construction Company owns a 41.25% interest in the equity stock and a 50% interest in the voting stock of certain companies concerned with the mining, sale, and shipment of iron ore from the Marcona deposit in Peru. These companies all showed increased earnings because of higher volume and improved operating margins.

CIA SAN JUAN S. A.

Cia San Juan S. A. is a Panamanian company engaged in the sale of iron ore and the ocean transportation of iron ore and other bulk commodities. Iron ore shipments were made principally to the United States, Germany, and Japan in vessels either chartered on the market or from this company's wholly owned subsidiary, San Juan Carriers, Ltd. The latter company owns one 16,000 DWT vessel and two 32,000 DWT specialized ore carriers. In addition, it has placed orders for two new 47,000 DWT ore carriers with delivery expected in late 1958 and early 1959.

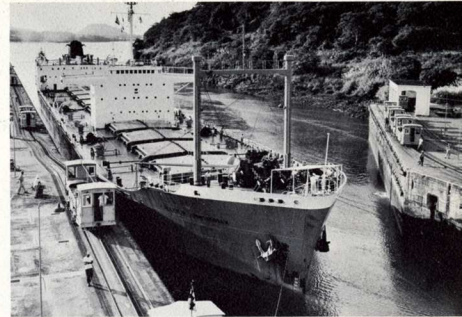
Cia San Juan's consolidated earnings were \$3,770,000 for the 12 months ending October 31, 1957, an increase of \$1,620,000 over the preceding year. Ore shipments were 3,550,000 tons, an increase of 42%. Profits from the freighting of other commodities increased sharply during the year.

MARCONA MINING COMPANY

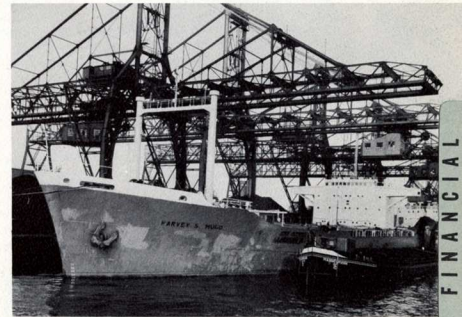
Marcona Mining Company is a domestic corporation engaged in mining iron ore in Peru. It reported a profit of \$7,356,000 for the 12 months ending October 31, 1957 compared to \$3,023,000 during the preceding year. The gain in profits was primarily attributable to greater volume, better profit margins, and lower depreciation charges. During the year Marcona retired its remaining \$2,000,000 in second preferred stock and paid \$23.50 per share in dividends on its class B common stock.



These views of the installations of our affiliate, Marcona Mining Company, show stripping and iron ore mining operations being carried on approximately 17 miles from the port of San Juan, Peru, as well as screening, crushing and stockpiling operations which are conducted adjacent to the mine.



Shown here are the two 31,600 ton sister ships, specialized ore carriers ALLEN D. CHRISTENSEN and HARVEY S. MUDD, owned and operated by our affiliate, San Juan Carriers, Ltd. The CHRISTENSEN is pictured passing through the Panama Canal and the MUDD is shown discharging Marcona iron ore at Rotterdam, Holland.





EMPLOYEE RELATIONS

In further recognition of the critical role that the individual employees play in the success of the company, a Department of Personnel Relations has been established and Mr. M. C. Strittmatter has been appointed as its Director. This department will centralize company activities regarding industrial relations, safety, compensation and benefit plans, and recruitment.

Other important personnel changes during the year include the election of Mr. Guy V. Sperry as Vice President and Chief Engineer, and Mr. John M. Horrigan as Secretary. Both have records of long service with the company and merit this additional recognition.

The company has long recognized that a soundly conceived program of employee benefits is in the best interests of both the employees and the stockholders. For some years the company has offered protection against personnel misfortune through the Group Insurance Plan and has provided the Retirement Plan based on Profit Sharing to help the employee when he reaches the age to discontinue working.

During 1957, 583 permanent employees and their families were covered under the Group Insurance Plan affording coverage for hospital, surgical, medical, polio, and accident benefits. The face amount of life insurance in effect under the Plan amounted to \$4,382,000 on individual policies ranging from \$2,000 to \$20,000. 583 claims were paid to 298 employees and their families. The total premium cost to the company was \$108,651 or \$186 for each employee covered.

As previously noted, the company contributed \$394,662 to the employees' Retirement Plan Based on Profit Sharing and set aside another \$248,925 to be added to the Reserve for Future Payments under the Retirement Plan. At the end of the year 388 employees were members of the Plan, a net increase of 93 during the year. During the year benefits of \$22,281 were paid to terminating or retiring employees.

This year the stockholders gave approval to an Employee Stock Purchase Plan whereby key employees in a position to materially influence profits have the privilege of purchasing shares of the company on an installment basis. Accordingly, during the year 25,450 shares of the company stock were sold to 25 employees at a price of \$25 a share, the market price when the sale was consummated.

FINANCIAL COMMENT

In appraising the financial results of Utah Construction Company consideration should be given to the three principal sources of economic benefits to the owners. The first two, parent company earnings and the company's share of the undistributed earnings of subsidiary and affiliated companies, are covered specifically in the letter to the stockholders. The third source of benefit is the change in market value of the assets held by the company and this is not reflected in the financial statements in which assets are valued on a cost basis.

Among the fixed assets of Utah Construction Company are certain properties held for development and resale, mining lands and leases, and construction equipment. We believe that these assets are conservatively valued but it is not practicable to appraise their present worth. The company also owns securities in other companies which have an indicated value far in excess of their original cost. However, only two of these securities are actively traded in over-the-counter markets. Permanente Cement Company stock is a seasoned investment and certain brokerage houses make a market for the stock. Lucky Mc Uranium Corporation stock is actively traded in relatively small quantities but the market's ability to absorb a large offering has never been tested. With this caution in mind we report herewith the indicated value of the securities we hold.

Stock	Market Price	No. of Shares	Value
Permanente Cement Company	\$14.625	81,449	\$ 1,191,192
Lucky Mc Uranium Corporation	3.125	3,638,748	11,371,087
Other securities at our share of their Net Worth			13,700,161
Total			\$26,262,440
Less: Cost			2,762,440
Difference			<u>\$23,500,000</u>

The difference between the total indicated value of our securities and their cost at the end of 1956 was \$11,500,000. The major portion of the increase of \$12,000,000 during the year was caused by the addition of

Lucky Mc to our portfolio while the 87,920 shares of Permanente stock paid out as dividends accounted for the principal decrease.

Utah Construction Company arranged a long term bank credit in 1955. \$5,000,000 was in the form of a revolving credit maturing in 1960. \$6,000,000 represented a term loan with three installments of \$750,000 payable in 1957, 1958 and 1959, and the balance payable in 1960. The 1957 installment was paid when due, leaving a term loan balance outstanding of \$5,250,000 at the end of the year. \$4,425,000 had also been borrowed under the revolving credit. In addition to its direct borrowing, the parent company has assumed certain contingent liabilities in connection with the obligations of subsidiary and affiliated companies.

Depreciation charges amounted to \$2,161,743 for 1957 compared to \$2,153,939 in 1956. In both years depreciation was mainly computed on the declining balance method which resulted in charges of \$566,362 in 1957 and \$786,029 in 1956 over the amounts that would have been charged under the straight line basis.

1957 earnings have also been charged with \$643,587 to provide for the company's contributions to the Retirement Plan Based on Profit Sharing. Of this amount \$394,662 will be paid currently into the employees' trust and the balance of \$248,925 has been added to the Reserve for Future Payments to the Retirement Plan. This reserve now amounts to \$496,483 and is required because employee profit sharing is based upon a 3-year moving average of profits. If earnings continue to produce a contribution in excess of the maximum payable under the Plan, the Reserve for Future Payments will be adjusted and any amount no longer required under the profit-sharing formula will be restored to earnings in future years.

At a Special Meeting of the Stockholders held in January of 1957 it was voted to merge the parent company, a Utah corporation since foundation in 1900, into a Delaware corporation of the same name. The practical result of this act was to transfer the corporate domicile from Utah to Delaware thereby eliminating certain problems regarding stock issuance and taxation of income. The name, ownership, management, nature of business and financial status were unaffected by this act.

UTAH CONSTRUCTION COMPANY

ASSETS

CURRENT ASSETS:

Cash		\$ 5,719,955
Receivables—		
Construction and mining accounts	\$3,258,149	
Other notes and accounts	1,878,684	5,136,833
Inventories, at the lower of cost or market—		
Construction materials and supplies	\$ 730,608	
Iron ore and coal	282,024	1,012,632
Marketable securities (quoted market value \$1,191,192)		83,300
Total current assets		\$11,952,720

INVESTMENT IN AFFILIATED COMPANIES:

Capital stocks and receivables, at cost—		
Wholly-owned subsidiaries	\$1,921,868	
Other affiliated companies (Note)	2,222,498	
Interest in joint ventures	4,644,080	8,788,446

INVESTMENT IN LAND AND OTHER ASSETS:

Land held for development and sale	\$4,258,285	
Reclamation District bonds	3,550,500	
Capital stock of land development companies	199,918	
	\$8,008,703	
Facilities on construction projects (less accumulated amortization of \$1,192,749)	1,305,612	
Prepaid expenses, deposits and other	1,414,842	10,729,157

PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated Depreciation and Amortization	Net
Land, buildings and improvements	\$ 343,048	\$ 123,684	\$ 219,364
Mining properties	2,340,840	2,060,293	280,547
Equipment	15,681,260	7,499,981	8,181,279
Furniture and fixtures	467,730	172,525	295,205
	<u>\$18,832,878</u>	<u>\$9,856,483</u>	<u>\$8,976,395</u>
			<u>\$40,446,718</u>

NOTE: Included in the investment in other affiliated companies are 3,638,748 shares of Lucky Mc Uranium Corporation representing a 60% interest. At October 31, 1957, the bid price of this stock in the over-the-counter market was \$3.125 per share; based on this quotation, the total market value of the shares of this stock owned by Utah Construction Company amounted to \$11,371,087.

Utah has entered into contracts with Lucky Mc for the construction of an ore processing mill, the mining of uranium ore and the operation of the completed mill for the production of uranium concentrate. This concentrate will be delivered under an agreement between Lucky Mc and the Atomic Energy Commis-

BALANCE SHEET – OCTOBER 31, 1957

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current installments of term bank loan, notes and contracts payable	\$ 947,103
Accounts payable	2,283,144
Accrued liabilities	1,407,668
Accrued Federal income taxes	1,266,242
Total current liabilities	<u>\$ 5,904,157</u>

LONG-TERM LIABILITIES:

Term bank loan, payable in annual installments of \$750,000 with remaining balance due July 18, 1960 (less current installment included above)	\$ 8,925,000
Notes and contracts payable, due in variable annual installments to January 4, 1965	740,355
Reserve for retirement based on profit-sharing	496,483
	<u>10,161,838</u>

STOCKHOLDERS' EQUITY:

Capital stock, par value \$2 per share—	
Authorized—2,000,000 shares (24,550 shares reserved for issuance under Employees' Stock Purchase Plan)	
Issued and outstanding—1,780,525 shares	\$ 3,561,050
Paid-in surplus	585,350
Earned surplus (\$10,853,600 restricted under bank loan agreement)	20,234,323
	<u>\$40,446,718</u>

sion; the proceeds from such deliveries are assigned to secure outstanding bank loans of Lucky Mc amounting to \$7,500,000 at October 31, 1957. Based on reports of independent consulting engineers as to the uranium ore reserves of Lucky Mc, it is the management's opinion that proceeds from the deliveries of uranium concentrate will be sufficient to liquidate these bank loans. However, if such proceeds are not sufficient, Utah Construction Company is obligated to pay any deficiencies under the bank loan agreement.

Utah is also contingently liable at October 31, 1957, for obligations totaling approximately \$9,800,000 of other affiliated companies incurred in the ordinary course of business.